

■ UNLOCKING AMERICA'S POTENTIAL

THE ADMINISTRATION'S TRADE PROMOTION AGENDA

by the Trade Promotion Coordinating Committee and Office of Public Affairs

On May 14 and 15, 2002, Commerce Secretary Donald L. Evans led U.S. government trade promotion agencies in presenting the 2002 National Export Strategy to the Senate Banking, Housing, and Urban Affairs Committee, as well as to the House International Relations Committee. The report, entitled "Unlocking America's Potential," is the culmination of seven months of research and teamwork of the Trade Promotion Coordinating Committee (TPCC), a group of more than a dozen U.S. government agencies and departments, chaired by the secretary of the Department of Commerce (DOC). The 2002 National Export Strategy (NES), the first of the Bush administration, presents 60 recommendations with an overall goal to ensure that all U.S. companies that are interested in exporting can join the global economy.

A major theme of the 2002 NES is expanding the number of U.S. exporters, particularly small and medium-sized companies, while ensuring that all exporters have the best resources available to take advantage of overseas commercial opportunities. Small and medium-sized enterprises (SMEs, companies with fewer than 500 employees) constitute 97 percent of all U.S. exporting companies and account for about 30 percent of the value of U.S. exports. However, the TPCC's survey of 3,000 SMEs shows that 30 percent of U.S. SMEs that do not currently export have an interest in doing so. Additionally, of those companies that do export, two thirds export to only one market.

In order to unlock the export potential of SMEs, the 2002 NES emphasizes improvements in customer service and the more aggressive pursuit of new export opportunities. The strategy has three major themes. First, the U.S. government will be a more active partner with U.S. exporters in major project competitions. Second, the government

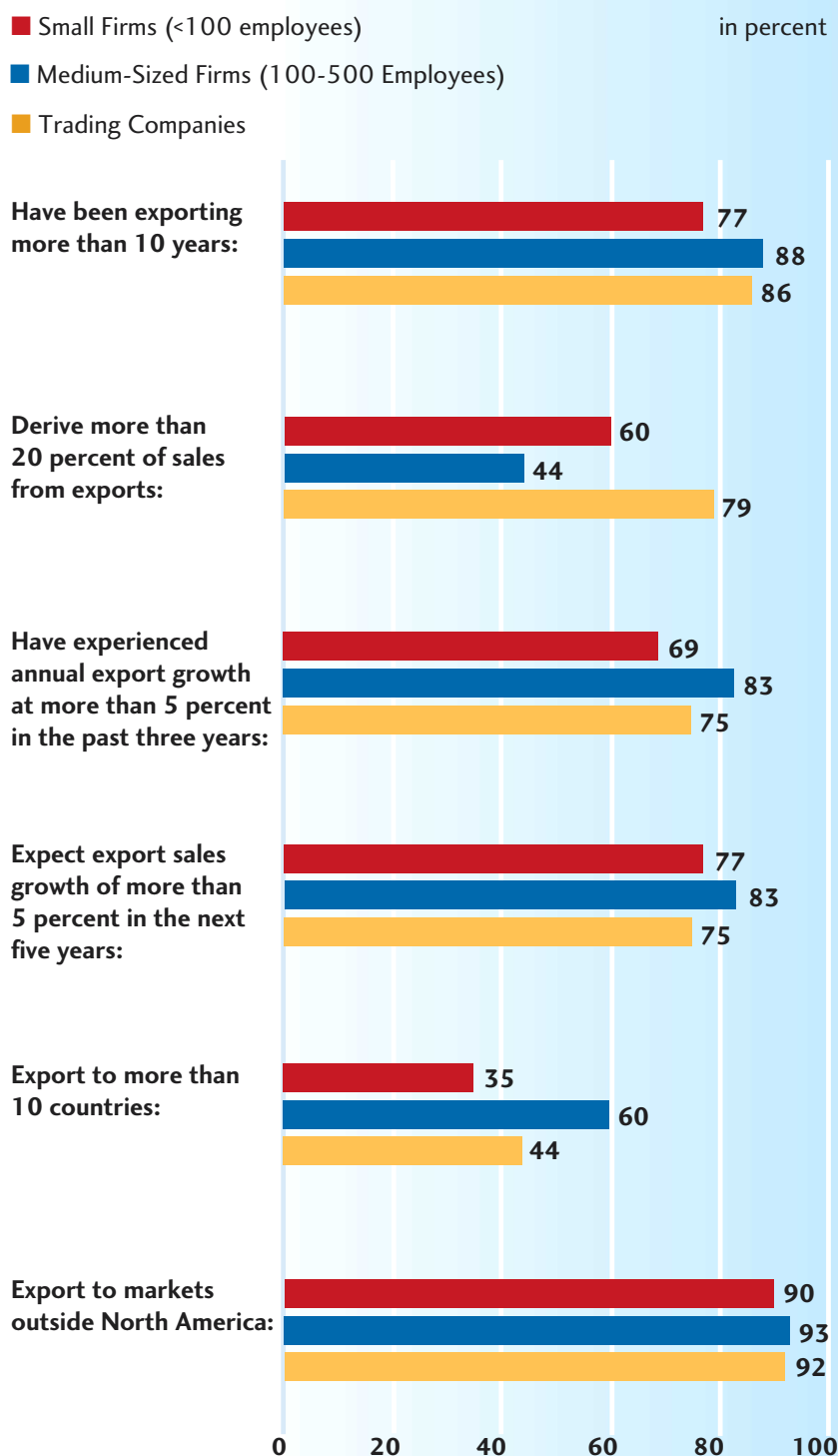
will provide better customer service through joint promotion, training, trade finance, and information delivery. Lastly, the strategy presents a federal government that is and will be working harder, through state and local partnerships as well as trade education, to make sure that prospective exporters are aware of and have access to the services that the government provides.

The 2002 NES is presented as an essential element of the administration's overall trade agenda, complementing the opening of new markets through trade promotion authority (TPA). The recommendations put forward ensure that U.S. exporters have the opportunity to "fill in" behind the agreements negotiated by the government.

■ PUTTING THE CUSTOMER FIRST

The TPCC took a broad, managerial approach to determine its course of action. For the first time, the TPCC based its recommendations on a

PORTRAIT OF U.S. SMALL AND MEDIUM-SIZED EXPORTERS SURVEYED IN 2002



Note: "Trading Companies" include a wide range of companies that serve as intermediaries between the exporting manufacturers and their customers overseas.

Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 2-1.

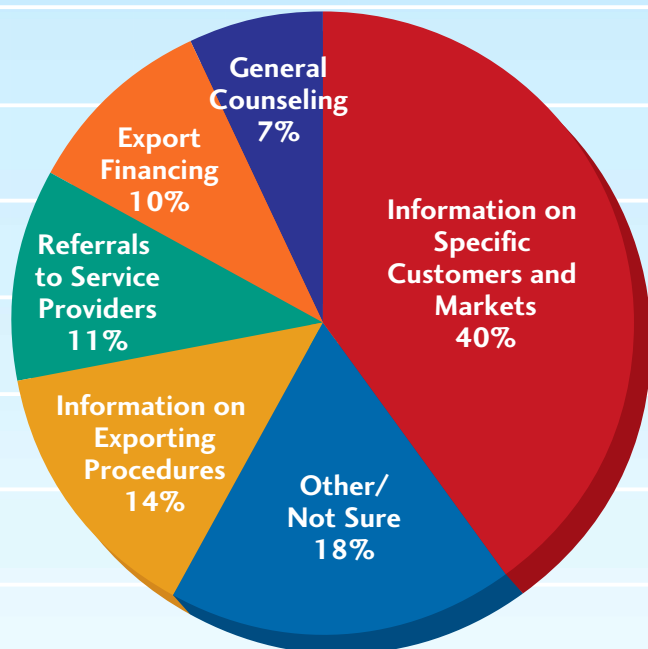
careful and deliberate examination of customer needs. The TPCC surveyed over 3,000 SMEs and spoke with another 100 exporters in focus groups and individual meetings. As Secretary Evans noted in presenting the report to Congress, "The driving force behind all of these recommendations was customer needs." The report also takes into account the best practices of some of our trading partners, highlighting what they do to help their exporters successfully enter the global marketplace. Evans summarizes the approach in words that mirror the Bush administration's goal of applying sound management practices throughout government: "follow through, results, and accountability."

According to the TPCC survey, government providers account for approximately 30 percent of all services that exporters use. The DOC and its offices in embassies make up about 50 percent of all government services in this context. While exporters credit government services with much of their export success, they indicate a strong need for improved government services. Two major areas for improvement came out of the focus on the customer: (a) the need for government to deliver services in a more seamless and timely fashion and (b) the need for government to take a more coordinated and strategic approach to helping them compete in foreign markets.

BETTER CUSTOMER SERVICE

The 2002 NES notes that even the smallest companies have very high expectations regarding the delivery of government programs. Companies expect seamless service across agencies; they are frustrated that the U.S. government does not always function as one entity. Further, companies expect government personnel to be fully trained to lead them through the labyrinth of government programs and to understand the big picture.

ASSISTANCE THAT WOULD BE MOST HELPFUL FOR SMALL NEW-TO-EXPORT FIRMS



Note: "Small" firms are those with less than 100 employees. Figures have been rounded.

Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Table 8-3.

Discussions with exporters and the survey results revealed that expectations and desires regarding government support differ significantly depending on company size, experience, and position in the product cycle of an export. Companies that are new to exporting and investment generally need more comprehensive training and support. More experienced or strong exporters expect greater coordination between and among the trade promotion programs they use.

Experienced exporters also seek a more holistic approach to new market penetration, including support for both their trade and investment activities. Many firms could expand their exports by investing overseas in facilities that enhance their overseas sales of products and services. The 2002 NES calls for a more sophisticated approach to supporting activities of U.S. companies that directly or indirectly further their export sales.

ACCESS TO FINANCING

For both new and experienced exporters, lack of access to competitive financing is often cited as an obstacle to doing business overseas. Many small exporters find their primary bank unwilling or unable to help them develop international transactions. Banks may be inexperienced in foreign transactions or find that fixed handling costs make only large transactions attractive. The 2002 NES addresses these and related issues by recommending coordination and joint marketing efforts by the Commercial Service (CS), Export-Import Bank of the United States (Ex-Im Bank), Overseas Private Investment Corporation (OPIC), Small Business Administration (SBA), and the U.S. Trade and Development Agency (TDA).

Experienced exporters are familiar with programs offered by one or more

TRADE PROMOTION COORDINATING COMMITTEE

Department of Commerce

Department of State

Department of Treasury

Department of Defense

Department of the Interior

Department of Agriculture

Department of Labor

Department of Transportation

Department of Energy

Office of Management and Budget

Office of the United States Trade Representative

Council of Economic Advisors

Environmental Protection Agency

Small Business Administration

U.S. Agency for International Development

Export-Import Bank of the United States

Overseas Private Investment Corporation

U.S. Trade and Development Agency

National Economic Council

All export programs are available through the U.S. government portal, Export.gov, or you may request a copy of the Export Programs Guide from the Trade Information Center by calling 800-USA-TRAD(E) (800-872-8723).



government agencies, but they are frustrated by the lack of program coordination and harmonization. Their bottom lines would benefit from a coordinated approach among agencies when they have transactions that involve multiple programs. This is particularly the case in trade financing. For example, the export working capital programs of the SBA and Ex-Im Bank could be more closely coordinated. Along with the CS, the SBA and Ex-Im Bank will jointly promote the best of both programs so that exporters and lenders see one seamless U.S. government program. Feasibility studies funded by the TDA could be designed to translate more readily into projects supported by the Ex-Im Bank. Additionally, the Ex-Im Bank, SBA and OPIC will explore a more streamlined due diligence process by which a firm that has been approved by one agency could obtain expedited approval elsewhere.

ACCESS TO INFORMATION

According to the TPCC survey, SMEs want above all basic information on overseas market opportunities. Interestingly, exporters rely on the government for market information more than any other source (private sector or non-governmental organizations). The survey confirmed that the government is an important resource for Web-based information. The DOC sites and the federal trade portal, export.gov, were the leading government Web resources. The 2002 NES recommends making export information more accessible by adding a search engine to export.gov to enable U.S. firms to search across many different sites. The Trade Information Center (TIC), the one-stop resource for export assistance from 19 federal agencies, is very important to exporters (whether on-line, linked to export.gov, or off-line, at the 800-USA-TRAD(E) call center).

As stated in the 2002 NES, the TIC will work with export.gov to improve customer service by adding advanced features such as assisted Web browsing and a direct Web connection with live trade specialists. At the same time, the DOC will improve the quality of market information and trade leads. Fundamentally, the goal is to enhance the use of the Internet as a communications tool so that exporters can find the government's best information in one place.

EARLY PROJECT DEVELOPMENT

Our major foreign competitors often have the upper hand in winning major projects competitions long before the project is publicly tendered. Agencies responsible for market intelligence, technical assistance, and financing closely coordinate their efforts, and an early indication is often given to the

foreign buyer that financing will be available. Therefore, the 2002 NES proposes a strategic approach to project development. As stated in the report, “To ensure U.S. companies have the same opportunities as their foreign competitors, the CS, State Department, Ex-Im Bank, OPIC, and TDA will more proactively and strategically coordinate the development of project opportunities, especially in key markets.” By demonstrating the interest of U.S. industry and the readiness of U.S. government services, foreign procurement officials will seriously consider U.S. bidders. At the same time, U.S. exporters will be more interested in pursuing such opportunities.

The TPCC will launch early project development teams in six pilot countries: Brazil, China, South Africa, Mexico, Russia, and Turkey. TPCC agencies will develop the appropriate cross-training and personnel infrastructure to pursue projects proactively around the world. In a year, the TPCC will evaluate the effectiveness of these teams and apply successful approaches worldwide. Ineffective approaches will be terminated.

EARLY PROJECT DEVELOPMENT

Exporters also indicated that project development does not end with the signing of a contract; it needs to continue throughout the life of a project. U.S. exporters and investors expressed a need for a more transparent and predictable U.S. government process for requests for post-transaction advocacy support. Exporters appreciate the high caliber of assistance generally provided by federal agencies and overseas posts; but they suggest that closer coordination between and among agencies in Washington, D.C., as well as more consistency in the quality of help from post to post, would enhance their viability and competitiveness in the long run.

Exporters frequently cited the DOC’s Advocacy Center as a model for such a

process, particularly the Advocacy Center’s procedures, the professionalism and customer service of the staff, and the timely feedback on U.S. government steps taken. Exporters also valued the Advocacy Center’s

interagency coordination framework (established by the TPCC in 1992). Close coordination with the State Department and U.S. embassies has been integral to the success of U.S. government advocacy on behalf of U.S.

FAMILIARITY WITH AND USE OF U.S. DEPARTMENT OF COMMERCE EXPORT ASSISTANCE SERVICES IN 1994 AND 2002 (PERCENT)

SMALL FIRMS (<100 EMPLOYEES):

in percent

Heard of services:

1994

55

2002

85

Heard of and used services:

1994

18

2002

30

0 20 40 60 80 100

MEDIUM-SIZED FIRMS (100-500 EMPLOYEES):

Heard of services:

1994

55

2002

89

Heard of and used services:

1994

30

2002

48

0 20 40 60 80 100

Source: Jennifer Bremer, Robert Penny, and Arda Simsek, *Report Card on Trade II*, Tables 6-1 and 6-2.

EXPORT SERVICES MOST FREQUENTLY USED

Small and Medium-sized Exporters	Intermediaries
1. Basic “how to export” information	1. Basic “how to export” information
2. Managing shipping operations	2. Information on markets from a Web site
3. Export counseling	3. Government procedures in foreign countries
4. Trade leads	4. Export counseling
5. Information on markets from a Web site	5. Export finance assistance
Source: 2002 National Export Strategy	

companies. U.S. exporters would like to see the assistance approach of the Advocacy Center applied to a wider range of post-transaction problems that can arise with existing projects, investments, or procurements.

In response, the TPCC will develop ways of matching problems to the specific skills and strengths of agencies, while promoting teamwork, cooperation, and the most effective use of resources. The 2002 NES states that the TPCC, along with interested agencies and exporters, will work to establish a process to provide U.S. companies with coordinated and consistent support throughout the life cycles of viable projects in foreign markets.

OUTREACH

Along with improved customer service and a more strategic approach to projects, the 2002 NES notes the need to improve awareness of government programs. Improved awareness fundamentally addresses the untapped potential of many non-exporting companies. The 30 percent of non-exporters that are interested in exporting cite basic challenges such as lack of information about export markets, customers, and export procedures. Most non-exporting companies with a potential interest in exporting have a fairly good idea of where to begin to look for information, and such companies cite government and

non-government sources about equally. Nevertheless, about 30 percent of small companies and 20 percent of medium-sized companies are not certain about where to begin looking for information.

The 2002 NES, therefore, proposes that the federal government work more closely with state and local trade groups, as well as elected officials, to expand awareness and outreach. Continuous improvement is key. As Secretary Evans noted frankly in his House testimony: “Although our study found that awareness is better today than it was five years ago, we can certainly do a better job of connecting with business people that want to take advantage of new trade opportunities.”

Specific recommendations include tighter federal linkages with state export promotion agencies, coordination of federal and state programs, and outreach to private sector intermediaries such as shipping firms and export management companies. The 2002 NES proposes expanding educational efforts, especially for new-to-export companies, in a nationwide partnership that could include the SBA, Ex-Im Bank, Department of Agriculture, CS, world trade centers, and state and local trade agencies.

NEXT STEPS

The 2002 NES puts great emphasis on the needs of customers, and it advocates

a comprehensive approach to trade. Many of the recommendations can be implemented immediately, while others will take more time and require formal benchmarking. Secretary Evans and the TPCC agencies are holding themselves accountable to regular meetings to oversee these changes and measure results. The TPCC will report to Congress next year on the progress made toward helping U.S. companies compete globally. See www.trade.gov/media for more information about the 2002 NES. ■

export.gov

Export.gov is the federal government's export portal. By visiting this one-stop, on-line resource, you will find for export assistance programs from 19 federal agencies. Topics range from export counseling to trade events and users can easily find the information necessary to explore exporting, complete transactions or get in touch with trade specialists to resolve trade problems or disputes.




Export.gov
1-800-USA-TRADE

Information Channels
Export Counseling
Export Promotion Programs & Services
Country & Industry Market Research
Finance & Insurance
Trade Agreements
Trade Statistics
Trade Events

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Industry Sector Offices & Contacts
Basic Guide to Exporting
Tariffs & Taxes
Export Documentation
U.S. Export Controls
Schedule B (Shipper's Export Declaration)
NAFTA Rules of Origin
Foreign Trade Advocacy

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Export Promotion Programs & Services

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May 22, 2002

- **First Time Exporters** - Counseling and Mentoring Services The SCORE Association (Service Corps of Retired Executives) is a non-profit association dedicated to entrepreneur education and the formation, growth and success of small business nationwide. SCORE can be a valuable asset for small businesses looking to begin trading.
- **Overseas Partner Matching Services for U.S. Exporters** - Learn about the variety of services available to help U.S. firms identify and meet with pre-qualified agents, distributors, joint-venture and licensing partners in international markets.
- **Flexible Market Research** - Will your products sell overseas? Receive timely, customized answers to your inquiries about a foreign market and its receptivity to your products and services. Service performed by U.S. Industry Specialists in offices worldwide.
- **Platinum Key Service** - Available in certain countries, this service offers U.S. companies comprehensive, custom-tailored solutions to achieve their business goals through long-term (typically 6 months to 1 year), sustained support.
- **Export Counseling** - Comprehensive, professional export counseling from office throughout the U.S. and around the world.
- **Financing and Insurance Programs** - Learn about various government-sponsored programs designed to help you finance your export transactions and grow your business.
- **Overseas Trade Advocacy** - Government assistance for U.S. Exporters vying for international contracts, encountering trade/bureaucratic problems, or encountering unfair trade practices in overseas markets.
- **Agricultural Export Programs** - Learn about the various export programs offered by the U.S. Department of Agriculture's Foreign Agricultural Service (FAS)